



**Chinatrust**  
中國信託

**SEC FORM 17-A**  
**2011 ANNUAL REPORT**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended ----- December 31, 2011
2. SEC Identification Number ----- AS-095-008814A
3. BIR Tax Identification No. ----- 004-665-166-000
4. Exact name of issuer as specified in its charter -----

**CHINATRUST (PHILIPPINES) COMMERCIAL BANK CORPORATION**

5. Philippines Province, Country or other jurisdiction  
of incorporation or organization
6. (SEC Use Only)  
Industry Classification Code:
7. Fort Legend Towers, Third Avenue corner 31<sup>st</sup> Street,  
Bonifacio Global City, Taguig City 1634  
Address of Principal Office Postal Code  
(632) 9889 287
8. Issuer's telephone number, including area code
9. N/A  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of  
the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock, P10 par value	247,968,731

11. Are any or all of these securities listed on a Stock Exchange?

Yes [ x ] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange Common

*\*The Philippine Stock Exchange in its Memorandum No. 2012-0010 dated February 20, 2012 approved the Bank's Petition for Voluntary Delisting effective February 24, 2012.*

Check whether the Issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes  No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

13. The aggregate market value of the voting stock held by non-affiliates of the registrant.

Number of shares held by non-affiliates multiplied by share price as of 4<sup>th</sup> quarter of 2011: Php37,263,307.40.

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. **Not Applicable.**

Yes  No

#### **DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders ----- Not applicable

(b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b)-----Not applicable

(c) Any prospectus filed pursuant to SRC Rule 8.1-1----- Not applicable

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### SIGNATURES

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## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### (1) Description of Business

**Business Development.** Chinatrust (Philippines) Commercial Bank Corporation (“Bank” or “Chinatrust”) is the Philippine subsidiary of Chinatrust Commercial Bank, Ltd. (“CTCB”) of Taiwan. CTCB is the biggest privately-owned commercial bank, the most awarded financial institution in the island nation, and one of the world’s top two hundred (200) banks in terms of capital.

The Bank was incorporated on September 7, 1995 initially as Access Banking Corporation, and commenced operation on September 26, 1995 as a domestic commercial bank. The Bank has an authorized capital stock of P3.0 Billion.

On November 22, 1995, the Monetary Board approved the investment of CTCB in sixty percent (“60%”) of the voting stock of Access Banking Corporation through the outright purchase of fifty percent (“50%”) or P487.5 Million of its P975.0 million outstanding voting stock and an additional subscription of P262.5 million of the P275.0 million additional voting stock issued. On January 8, 1996, the Bank’s name was changed to its present name - Chinatrust (Philippines) Commercial Bank Corporation.

The Bank’s only affiliate, Chinatrust Forex Corporation (“CFC”), 40% of which is owned by the Bank, commenced commercial operation on May 21, 1997 to engage in foreign exchange dealership. As a result of tighter regulations resulting from the efforts of the government and the BSP to combat money laundering and to curb undue speculation on the currency, the CFC’s Board of Directors, in its meeting last 29 January 2004, resolved to dissolve CFC subject to the final approval by the stockholders holding at least 2/3 of the outstanding capital stock of CFC. CFC ceased operations last June 30, 2004. As a requisite for the approval of the Securities and Exchange Commission (“SEC”) to amend its articles of incorporation to shorten its corporate term, the final tax clearance is still being processed.

In line with the capital build-up program of the Bank, its Board of Directors approved in 1997 the issuance of 25 million common shares at P10.00 per share from its authorized capital stock via a stock rights offering to existing stockholders. This entitled the existing shareholders to subscribe to one (1) common share for every five (5) shares held. As of December 31, 1997, the stock rights offering was fully subscribed; partial payment to the subscription amounted to P209.99 million which resulted in the Bank’s attainment of its P1.647 Billion capital, fully complying with minimum capital requirements of BSP of P1.625 billion by the end of the year. On March 31, 1998, all subscriptions to the stock rights were fully paid. On April 23, 1998, the SEC approved the stock rights offering.

On June 2, 1999, the Bank’s share was listed in the Philippine Stock Exchange (“PSE”) through an Initial Public Offering (“IPO”) of 37,500,000 common shares from its unissued authorized capital stock. The proceeds of the IPO were utilized for branch expansion and investment in information technology.

In December 2000, CTCB substantially increased its equity in the Bank through the acquisition of shares held by a minority group, thus controlling approximately 91% of the Bank's capital stock, compared to 57% prior to the acquisition. A further acquisition of shares held by the public representing 9% of the Bank's equity was made by CTCB in January 2001 through a tender offer at a price of PhP19.00 per share, the same price at which the shares from the minority group was acquired. To date, CTCB holds 99.41% of the Bank's outstanding capital stock.

On August 25, 2005, the Board of Directors of the Bank declared 15% stock dividends out of its unissued shares. It was subsequently approved by the shareholders in a special meeting called for the same purpose on December 22, 2005. The BSP later approved the 15% stock dividend on February 20, 2006. On April 4, 2006, 28,124,997 common shares representing the 15% stock dividends were issued to the Bank's shareholders and simultaneously listed with the PSE.

On March 30, 2007, the Bank's Board of Directors once again made another 15% stock dividend declaration, to be paid out of the Bank's unissued shares. The same was ratified by the shareholders during the Bank's annual shareholders' meeting held on June 28, 2007, and subsequently approved by the BSP on September 20, 2007. On November 15, 2007, an additional 32,343,734 common shares representing 15% stock dividends were listed in the PSE and issued to the Bank's stockholders of record as of record date.

On June 22, 2011, the Bank's stockholders elected the following directors: William T.Y. Hon, William B. Go, Larry Hsu and Eric Wu and Mark Chen; Messrs. Edwin Villanueva and Ng Meng Tam were elected as independent directors. Messrs. William Hon and William B. Go were elected Chairman and Vice-Chairman, respectively. On October 26, 2011 Messr. William Hon resigned and the Board appointed Messr. Jack Lee as Chairman of the Board to serve the unexpired term of Messr. William Hon.

On December 23, 2011, the Bank a filed Petition for Voluntary Delisting at the Philippine Stock Exchange ("PSE"). Pursuant to the PSE Voluntary Delisting Rules, a tender offer was conducted by the Bank which commenced on December 27, 2011\*.

*\*The tender offer period ended at 12 noon on January 27, 2012 and the PSE in its Memorandum No. 2012-0010 dated February 20, 2012 approved the Petition for Voluntary Delisting effective February 24, 2012.)*

Based on the data as of December 31, 2011 posted by Business World, out of the thirty-five (37) universal and commercial banks operating in the Philippines, the Bank ranked 30th in terms of Total Assets; 25th in terms of Total Loans; 30th in terms of Total Deposits; and 19th in terms of Total Capital.

## **(2) Business of Issuer**

**Products and Services.** As a full-service commercial bank, the Bank offers various products and services, such as the following:

**PESO DEPOSITS**

Regular Savings Account  
Ultimate Deposit Checking Account  
Ultimate Earner  
Regular Peso Time Deposit  
Special One-Year Time Deposit

**FOREIGN CURRENCY DEPOSITS**

Dollar Savings Account  
Dollar Time Deposit  
Dollar Innovate Five-Year Time Deposit

**CASH MANAGEMENT SERVICES**

Bills Payment  
Deposit Pick-up  
Payroll Partner  
Collection for SSS, BIR and Customs Duties  
Ultimate Check Writer  
NetBanking  
eStatement/Mobile Statement  
Visa Debit and Cash Card  
Point-of-Sale  
Night Depository Box  
ATM Alliance and Settlement  
Post-Dated Check Warehousing  
Payroll Upload

**CORPORATE LENDING**

General Working Capital Loans  
Capital Expenditure Financing  
Structured Finance  
Syndicated Financing  
Trade Financing  
Various Discounting Facilities

**TREASURY SERVICES**

Foreign Exchange  
FX Forward Contracts  
Peso Government Securities  
USD Government Bonds  
Corporate Bonds

**CONSUMER LOANS**

Housing Loan  
Salary Stretch (Personal and Corporate)

**PAYMENT AND REMITTANCE SERVICES**

Remittances/Telegraphic Transfers

**TRUST PRODUCTS**

Living Trust Accounts  
Corporate/Institutional Trust  
Investment Management  
(Personal and Corporate/Institutional)  
Retirement Fund Management  
Other Fiduciary Services:  
Escrow Agency (Personal and Corporate)  
Safekeeping (Personal and Corporate)  
Mortgage Trust Indenture

**INTERNATIONAL TRADE**

Import Letters of Credit  
Domestic Letters of Credit  
Import Bills Processing  
Shipping Guarantee  
Standby Letters of Credit  
Loans Against Trust Receipts  
Open Account/Direct Remittances  
Exports L/C Advising  
Export Bills Processing

From the foregoing products and services, the Bank's revenues are categorized into three (3) major segments, namely: (1) Portfolio Products; (2) Transactional Banking Products; and (3) Exposure Management Products. The remaining revenues are classified under Others. Portfolio Product revenues consist of spreads earned on loans. Transactional Banking Product revenues consist of spreads earned on deposits as well as fees earned from cash management products and trade services. Exposure Management Product revenues consist of income earned from the investment portfolio and trading activities. Other revenues consist of fees earned on trust services, gain on sales of acquired assets, service fees and charges earned on all other banking activities. The contributions of the 3 major segments in terms of percentage to the Bank's total revenues during the last two years are as follows:

<b>Major Segment</b>	<b>2010</b>	<b>2011</b>
<b>Portfolio Products</b>	51.62%	51.93%
<b>Transactional Banking Products</b>	20.23%	13.11%
<b>Exposure Management Products</b>	18.42%	31.55%

**Status of New Products or Services.** No new product or service was introduced in 2011.

**Distribution Network.** The Bank's products and services are made available to its clients through its offices, branch network, all automatic teller machines (ATMs), and for some services/products, thru its own ATM's or through other ATM networks. Likewise, some products can now be accessed through electronic channels i.e. interactive voice response system, internet and short message system (SMS). In addition to its Main Office Branch in Bonifacio Global City, the Bank operates 23 branches as of end of December 2011.

**Competition.** The Bank faces competition from both domestic and foreign banks that operate in the Philippines. In the light of such competitive environment, the Bank focuses on key businesses to include consumer finance, the trading of fixed-income instruments and foreign exchange, the Taiwanese business, and selective corporate lending. By being a specialist, it is able to properly concentrate its resources and capital to ensure service excellence and good risk management and corporate governance. The Bank likewise adopts applicable business models from its parent bank and custom fits these to local market conditions. These efforts make the Bank a strong player in its chosen businesses.

**Sources and availability of raw materials and the names of principal supplies. - Not applicable.**

**Dependence upon a single/few customers. – Not applicable.**

**Transactions with and/or dependence on related parties.** Except in the ordinary course of business such as DOSRI loans, there are no transactions with and/or dependence on related parties.

**Trademarks, Licenses, Franchises., etc.** The Bank is also not dependent on any patents, trademarks, copyrights, licenses, franchises, and royalty agreements.

**Effect of existing or probable government regulations.** As a domestic commercial bank, the Bank is governed by the rules and regulations of the BSP. The Bank observes and complies with all government laws, rules and regulations that exist.

**Amount spent on research and development.** There are no major expenses on research and development activities and these are just incorporated into the ordinary business expense of the Bank.

**Cost and effect of compliance with environmental laws. - Not applicable.**

**Number of Employees.** As of December 31, 2011, the Bank had five hundred seventy five (575) employees composed of 367 officers and 208 staff, with 549 regular



employees and 26 probationary employees. The Bank has no existing employees' union. It has also no collective bargaining agreement.

In addition to salary, the Bank gives its employees fringe benefits, consisting of 13<sup>th</sup> month pay, mid-year bonus, Christmas bonus, performance bonus, medical allowance, health benefits, group life insurance, car plan, company car benefit, parking allowance, gasoline reimbursement, meal allowance, out-of-base allowance, salary loans, retirement pay loan, retirement benefits, and various leaves (sick, vacation, emergency, maternity, paternity, solo parent, etc.).

**Major Business Risks.** The Bank's business activities are exposed to a variety of financial risks – market risks (including foreign exchange risk and price risk), credit risk, liquidity risk and interest rate risk. The Bank is strongly committed to judiciously managing risks. For this purpose, it has put in place the necessary processes and platforms that enable it to prudently manage all categories of risk. It is the presence of this risk infrastructure and consciousness that has made the Bank either a leader or a major player in businesses where the required core competency is astute risk management capability. The Bank's risk management programs seek to minimize potential adverse effects on its financial performance.

Market risk consists of foreign exchange risk and price risk. Essentially, this is the risk that the value of a currency position or financial instrument will fluctuate due to changes in foreign exchange rates and interest rates. The Bank uses forward exchange contracts to manage the foreign exchange risk in specific commercial transactions. The Bank maintains a rigid system of loss limits and action triggers that prompt management to immediately act in the event that these thresholds are breached. These actions may include, but are not limited to, the partial liquidation of existing positions in order to cut losses. The objective of these thresholds is to ensure that losses, if any, will be limited to what the Bank's earning capability can sufficiently cover.

Credit risk is the risk that a borrower or issuer of a security held by the Bank will not pay the obligation when it falls due. The Bank manages its credit risk by setting limits for individual borrowers and group of borrowers. It also puts a cap on exposures to specific products, specific market segments, specific industries and specific loan tenors. The Bank likewise monitors borrower-specific credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the Bank obtains security where appropriate, enters into collateral arrangements with counterparties and limits the duration of the exposures.

Liquidity risk is the risk that the Bank will be unable to meet its obligations as they fall due. To effectively manage liquidity risk, the Bank diversifies its funding sources and maintains a set of prudent trading limits, liquidity ratios, maximum maturity gaps, and maximum cumulative outflows per tenor bucket. In addition, the Bank maintains sufficient cash and marketable securities, supplemented by adequate credit facilities.

Cash flow and fair value interest rate risks arise from the possibility that changes in interest rates will affect future cash flows and fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. Accordingly, limits on interest rate gaps for stipulated periods have been established by Management.

In addition to financial risks, the Bank is also exposed to operations risks. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Bank ensures that specific business policies, processes, procedures and staff are in place to manage overall operational risks by way of identifying, assessing, controlling, mitigating, monitoring and reporting risk events. The Bank manages other types of risks such as regulatory and reputational risk.

## **Item 2. Properties**

### ***Properties Owned***

The Bank owns the following condominium units described hereunder:

- Commercial unit, the entire 12<sup>th</sup> Floor, BA Lepanto Building, Paseo de Roxas, Makati City
- Unit 9-F & 9-G, The Forbeswood Height condominium, Taguig City – sold(conditional sale) within redemption (titles not yet transferred)
- Unit 9-F – Lansbergh Place Condominium, Q.C(Unsold) – within redemption (title not yet transferred to CTP)

There are no mortgage, liens, encumbrances or any limitations on the Bank’s ownership of the foregoing units, except that the following units are subject of separate Contracts to Sell, the consideration of which has not yet been fully paid: (1) Units 115 & 116 Makati Prime City, San Antonio Village, Makati City; (2) Residential unit, 4th Floor, Ylaya Mansion, Ylaya Street, Tondo, Manila; (3) Unit 1601 Summit One Tower, Shaw Blvd., Mandaluyong City; (4) Unit 1503 Le Triomphe H.V. Dela Costa Makati City; and (5) Unit D-4 Cluster 3, Little Baguio Gardens, J. Fernandez St., San Juan City.

***Description of Property the Bank intends to acquire in the next 12 months.*** There are no plans to acquire properties within the next twelve (12) months. However, the Bank will lease properties to serve as sites for its branches. These prospective sites are either being presently identified or currently the object of preliminary negotiations with the lessors.

### ***Properties Leased***

#### ***a. Offices***

<b>OFFICE</b>	<b>LOCATION</b>	<b>TERM</b>	<b>MONTHLY RENTAL</b>	<b>EXPIRY DATE</b>
16F to 19F and GF Fort Legend Towers	Bonifacio Global City, Taguig City	10 years	P2,608,838.40	April 14, 2020

**b. Condominium Units**

<b>LEASED PREMISES</b>	<b>LOCATION</b>	<b>TERM</b>	<b>MONTHLY RENTAL</b>	<b>EXPIRY DATE</b>
House and Lot in Dasmariñas Village	Makati City	1 year	253,575.00	10-24-2012
Duplex in San Lorenzo Village	Makati City	1 year	134,000.00	04-30-2012
House and Lot in Ayala Alabang Village	Muntinlupa City	1 year	120,000.00	06-20-2012
Condominium Unit in Serendra	Taguig City	1 year	102,000.00	10-06-2012
Condominium Unit in Serendra	Taguig City	1 year	88,000.00	11-30-2012
Condominium Unit in Serendra	Taguig City	1 year	63,000.00	05-25-2012
Condominium Unit in Serendra	Taguig City	1 year	75,000.00	02-17-2012
Condominium Unit in Serendra	Taguig City	6 months	70,000.00	03-17-2012

**c. Branches**

<b>NAME OF BRANCH</b>	<b>LOCATION</b>	<b>TERM</b>	<b>MONTHLY RENTAL</b>	<b>EXPIRY DATE</b>
Alabang	Muntinlupa City	5 years	P241,949.44	02-28-2017
Ayala	Makati City	5 years	P78,260.00	03-31-2016
Angeles	Angeles City	5 years	P116,400.00	06-14-2016
Binondo	Manila	5 years	P141,750.00	05-31-2016
Buendia	Makati City	10 years	P188,678.57	05-22-2013
Cagayan de Oro	Cagayan de Oro	7 years	P134,691.98	10-31-2016
Carmona	Cavite	5 years	P66,245.54	12-31-2015
Cavite	Cavite	1 year	P66,999.89	12-31-2011
Cebu-Banilad	Cebu City	5 years	P242,000.00	07-31-2015
Cebu-Magallanes	Cebu City	5 years	P190,578.50	09-30-2016
Cebu-Mandaue	Mandaue City	5 years	P134,673.00	11-30-2016
Davao	Davao City	5 years	P132,770.22	06-30-2016
Dela Costa	Makati City	5 years	P168,086.20	10-14-2016
Del Monte	Quezon City	5 years	P80,043.48	07-10-2012
Greenhills	San Juan City	5 years	P198,974.00	07-31-2013
Kalookan	Kalookan City	5 years	P127,050.00	07-31-2012
Las Piñas	Las Piñas City	5 years	P184,679.88	05-31-2012
Mabini	Manila	5 years	P138,145.39	06-30-2014
Marikina	Marikina City	5 years	P79,997.94	12-24-2015
Ortigas	Pasig City	5 years	P310,250.18	07-07-2014
Rada	Makati City	5 years	P126,500.00	06-30-2016
Subic	Zambales	5 years	\$4,774.49	01-04-2014
Sucac	Paranaque City	5 years	P80,847.72	04-28-2015

All lease contracts have renewal options upon the terms and conditions mutually acceptable to the Bank and the lessors.

**Item 3. Legal Proceedings**

Except for cases or proceedings, which are incidental to its business such as suits for sum of money, foreclosures, writs of possession, employee relations, and other cases arising from loan transactions and operations, the Bank has no material pending legal proceedings for or against it.

**Item 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to a vote of the security holders during the fourth (4<sup>th</sup>) quarter of the year covered by the report.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

#### 1. Market Information

The Bank's shares are traded in the PSE\*. Market prices of the Bank's shares since 1<sup>st</sup> quarter of 2010 to 4<sup>th</sup> quarter of 2011 are as follows:

QUARTER	HIGH	LOW
4Q'11	28.00	19.00
3Q'11	21.00	20.00
2Q '11	22.00	21.00
1Q '11	21.00	21.00
4Q'10	23.50	21.00
3Q'10	22.00	20.00
2Q '10	22.00	15.25
1Q '10	25.00	24.00

In 2011, the Bank's shares were last traded on December 30, 2011 with a closing price of P25.30.

As of February 20, 2012, which is the last practicable trading date prior to filing of this report, the information showed a closing price of P20.00.

There was no sale of any securities made by the Bank within the last three (3) years.

*\*The PSE in its Memorandum No. 2012-0010 dated February 20, 2012 approved the Bank's Petition for Voluntary Delisting effective February 24, 2012.*

#### 2. Holders

The number of shareholders of record as of December 31, 2011 is 102.

Common Shares outstanding as December 31, 2011 are 247,968,731.

The Top 20 Stockholders of record as of December 31, 2011, are as follows:

Name	Number of Shares Held	% to Total
Chinatrust Commercial Bank, Ltd.	246,495,812	99.41
PCD Nominee Corp. (Filipino)	777,789	00.31
Alfonso Lao	185,150	00.07
Arlene Ravalo Ulanday & or Bethel Ann Ravalo & or Eliodoro Ravalo	75,000	00.03
Chen Li Mei	65,992	00.03
Roberto Co San	39,675	00.02
PCD Nominee Corp. (Non-Filipino)	39,006	00.02
Bettina V. Chu	29,095	00.01
Regan C. Sy	26,450	00.01
Ching L. Tan	13,225	00.01

Oliverio Guison Laperal	13,225	00.01
Razul Z. Requesto	13,225	00.01
Guat Tioc Chung	13,225	00.01
Bienvenido T. Crisostomo	13,225	00.01
Juanita C. Go	13,225	00.01
Bernardito U. Chu	13,225	00.01
Ma. Socorro C. Palma Gil	10,580	00.00
Roberto Chan Kwan	8,280	00.00
Tyrone P. Limkunhoy	6,612	00.00
Hui Ching Fai &/or Go Yik Suen	6,612	00.00

### **3. Dividends**

The Bank declared 15% stock dividends last August 25, 2005, which was subsequently approved by its shareholders on December 22, 2005. The BSP later approved the 15% stock dividend on February 20, 2006. On April 4, 2006, 28,124,997 common shares representing the 15% stock dividends were paid to the Bank's shareholders and simultaneously listed with the PSE.

On March 30, 2007, the Bank's Board of Directors once again made another 15% stock dividend declaration, to be paid out of the Bank's unissued shares. The same was ratified by the shareholders during the Bank's annual shareholders' meeting held on June 28, 2007, and subsequently approved by the BSP on September 20, 2007. On November 15, 2007, an additional 32,343,734 common shares representing 15% stock dividends were listed in the PSE and issued to the Bank's stockholders of record as of record date.

Any dividend declaration to be made by the Bank is subject to approval by the BSP, SEC and PSE. Currently, the Bank's retained earnings had been restricted for the following purposes: i.) to comply with the requirements of the ICAAP pursuant to BSP Circular 639 which took effect on January 1, 2010; ii.) to cover the resulting treasury shares acquired in relation to the Bank's voluntary delisting and tender offer; and, iii.) to provide for buffer in preparation for BASEL III requirements.

### **4. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction**

There has been no sale of exempt securities nor of securities constituting an exempt transaction within the past 3 years.

## **Item 6. Management's Discussion and Analysis or Plan of Operation.**

### **1. Management Discussion and Analysis and Results of Operations (Last Three Years, 2011, 2010, 2009)**

#### **FY 2009 Compared to FY 2008**

For the year ending December 31, 2009, Chinatrust's audited net income surged by 385% to P339 million from P70 million in 2008 mainly on account of strong earnings on service fees and commission income on credit related transactions, improved interest differential business and the recovery of the fixed income trading business from the mark to market losses in 2008. Performance indicators such as return on equity (ROE) and return on assets registered 6.65% and 1.34% respectively.

Net interest income climbed by 10.86% from Php1.35 billion to Php1.50 billion driven mainly by higher booking of corporate loans through major corporate finance deals and the sustained increase of the highly profitable consumer finance portfolio. The average balance of both Peso and US Dollar earning loans increased by Php2.01 billion in 2009 as compared to 2008. Interest expense declined by 0.27% brought about by maturities on borrowings partly offset by increase in interest expense of deposit liabilities by 3.32%. Year on year average volume for deposits increased by Php2.4 billion.

Non-interest income rose by 136.94% mainly due to higher fees and commissions amounting to Php204 million from Php94 million last year mainly on account of higher processing fees earned and credit related fees from corporate finance transactions. Moreover, a significant increase in both trading gain and foreign exchange of 936.59% was posted amounting to Php161.16 million from Php15.55 million last year. With the gradual recovery of global financial markets, the Bank took advantage of the improving market prices resulting to the hefty increase on trading and securities gain.

Operating expenses were well contained at 9% increase largely due to higher revenues. Cost to income ratio referring to the ratio of operating expenses (exclusive of bad debts written off/provisions for probable losses) to operating income is at 57% favorably better from 66% in 2008. The Bank set aside P285.63 million as provisions for impairment and credit losses for the year, maintaining its conservative stance on loan loss provisioning.

Non-performing loans (NPL) ratio as of December 31, 2009 improved to 3.04% from 3.93% in December 2008. The Bank's capital adequacy ratio remains high versus the industry at 22.96% as of December 31, 2009, better than year-end 2008 CAR of 21.50% and way above the regulatory requirement of 10%.

### **FY 2010 Compared to FY 2009**

Chinatrust's audited net income went up by 20.8% to PhP410 million from PhP339 million last year, driven by a hefty increase in trading gains and better margins on account of lower funding costs. This performance translated to a 7.3% return on equity (ROE) and 1.6% return on assets (ROA).

Revenues moved up by 9% as non-interest income grew by 28%. The increase was pushed mainly by higher trading and foreign exchange gains, which surged to PhP307 million in 2010 from PhP161 million in 2009. This resulted as the favorable economic environment led the Bank to take advantage of opportunities in the bond markets, where interest rates had fallen last year. Net interest income rose by 3.6%, from PhP1.502 billion to PhP1.556 billion. The improvement was spurred by a 32% decrease in interest expenses on deposit liabilities, attributable to the PhP748.5 million drop in average volume of high-cost deposits. Meanwhile, low-cost deposits climbed by 5%, from PhP4.6 billion in 2009 to PhP4.8 billion in 2010. Chinatrust continued to source low-cost funds largely from its unique cash management offerings, and not from its borrower's maintaining balances.

The Bank maintained its conservative stance on loan loss provisioning. It set aside PhP286.95 million as provisions for impairment and credit losses for the year, thus making sure that it remained well-prepared for any eventuality.

Operating expenses were kept flat at PhP1.2 billion versus the previous year, as the Bank continued to improve productivity from economies of scale. Cost to income ratio was reported at 51.8% in 2010, from 56.5% in 2009. The figure indicated a satisfactory level of efficiency implemented by the Bank.

Asset quality showed a significant advance in 2010. Non-performing loans (NPL) ratio as of December 31, 2010 improved to 1.66%, nearly halved from 3.04% in December 2009. Further, the Bank once again manifested its financial strength with a high capital adequacy ratio, which stood at 25.33% for 2010. The figure placed it considerably above industry as well as the regulatory requirement of 10%.

### **FY 2011 Compared to FY 2010**

Chinatrust's net income after tax for the year end December 31, 2011 stood at Php327M, a 20% decline compared to last year of Php410M. This translates to a return on equity (ROE) and return on assets (ROA) of 5.47% and 1.41%, respectively.

Decrease in net income was due to decline in interest income by 12% on account of lower average volume of loans. However, interest expense on deposit liabilities slid by 71% or Php164M as the Bank was able to lower its average cost of funds to 1.49% per annum from last year's 2.21% per annum.

Total fee income rose by 4% mainly brought about by hefty increase in fixed income trading activities by 20% or Php64M better than last year's performance.



Provisions for impairment improved by 39% or Php81M lower than last year due to reversals of specific impairment on fully settled loan accounts and improvement in credit quality.

Total resources stood at Php25.8 billion, reflecting a 6% increase compared to December 2010 level. Total deposits as of December 31, 2011 amounted to Php17.3 billion, 2% higher compared to 2010 year-end level of Php16.9 billion.

Non-performing loans (NPL) ratio as of December 31, 2011 stood at 1.34% as compared to 1.66% as of December 2010. The Bank's capital adequacy ratio (CAR) remains high versus the industry at 29.1% as of December 31, 2011, better than year-end 2010 CAR of 25.3% and significantly above the regulatory requirement of 10%.

### Key Financial Indicators

The following ratios are used to assess the performance of the Bank presented on a comparable basis:

	December 31, 2011	December 31, 2010
Return on Average Equity (ROE)	5.47%	7.29%
Return on Average Assets (ROA)	1.41%	1.61%
Cost to Income Ratio	58.84%	51.78%

	December 31, 2011	December 31, 2010
Non-Performing Loan Ratio (NPL)	1.34%	1.66%
Non Performing Loan Cover	70%	48%
Capital Adequacy Ratio	29.12%	25.33%

The manner by which the Bank calculates the above indicators is as follows:

- Return on Average Equity ---- Net Income divided by average total capital funds for the period indicated
- Return on Average Assets ---- Net Income divided by average total resources for the period indicated
- Cost to income ratio --- Total Operating expenses (excluding Gross Receipts Tax/GRT and Documentary Stamps Used/DST) divided by the sum of net interest income plus other income
- Non-Performing Loan Ratio --- Total non-performing loans divided by gross loan portfolio
- Non-Performing Loan Cover --- Total allowance for probable loan losses divided by total non-performing loans
- Capital Adequacy Ratio --- Total capital divided by risk-weighted assets

## **Additional Management Discussion and Analysis (for those with variances of more than 5% December 31, 2011 vs. December 31, 2010)**

### **Balance Sheet –**

Due from Bangko Sentral ng Pilipinas increased by 7% from Php4.6 billion to Php4.7 billion is brought about by increased lending to BSP. Likewise, due from other banks rose by 660% from Php0.6 billion to Php4.7 billion due to higher levels of parked funds in due from foreign banks.

Interbank term loans increased from Php2.64 million to Php91.94 million due to higher level of outstanding local currency interbank loans as at year-end.

Financial Assets at Fair Value through Profit or Loss decline by 88% as compared last year due to lower peso and foreign currency denominated securities outstanding at year-end. Also, Available for Sale (AFS) securities decreased by 53% due to the decrease in the volume of US dollar AFS – treasury notes exposure at the end of the year.

Loans and receivables – net went down by 11% from Php16 billion to Php14 billion brought about by corporate accounts being settled in full against new loan bookings with lower amounts.

Investment properties increased to Php4.3 million from Php2.9 million, 50% higher than year-end 2010 due to new foreclosures partly offset by depreciation of foreclosed properties.

Deferred Income Tax went down by 22% amounting to Php283 million from Php361 million due to reversals this year relating to the write-off of certain fully provided loan and receivable accounts.

Other resources went up by 51% from Php175 million to Php263 million brought about by purchases of software licenses and other assets.

Deposit liabilities increased from Php16.9 billion to Php17.3 billion, 7% higher as compared last year due to higher peso denominated high cost deposits at year-end.

Bills payable surged by 92% to Php1.1 billion from Php0.6 billion mainly due to the increase in peso borrowings outstanding from local banks at year-end.

Outstanding Acceptances went down by 92% due to the lower volume of foreign currency acceptances. Reduction in managers checks were due to lower outstanding manager's checks issued as of December 31, 2011 versus December 31, 2010.

Accrued Interest, Taxes and Other Taxes dropped by 8% due to lower interest payable on high cost deposits at period-end.

Other Liabilities went up by 12% on account of increases in accounts payable and miscellaneous liabilities – domestic bills purchased.

## **Income Statement (variance analysis for December 31, 2011 vs. December 31, 2010)**

Interest Income on loans and receivables declined by 11.1% mainly due to the lower average volume of both peso and dollar earning loans.

Interest income on interbank loans increased by 50.13% due to the increase in the average volume of both peso and foreign currency interbank call loans receivable. Deposits with other banks went down by 59.47% following the decline in the average interest rates in due from BSP from 1.6% to 1.1%.

Interest expense on deposit liabilities went down by 42.36% on account of lower average volume of high-cost peso deposits. On the other hand, borrowings posted a 16% increase from Php5.1 million to Php5.9 million due to increase in peso borrowings from local banks.

Service charges and commission income amounted to Php197.5 million, 11.8% higher as compared to last year.

Trading gain amounted to Php314.2 million from Php250.7 million last year due to favorable trades in a low interest rate regime during 2011. On the other hand, foreign exchange transactions posted a loss of Php5.5 million this year.

Miscellaneous income posted a 6% increase last year from Php44.5 million to Php47.5 million mainly brought about by increase in income from Trust Department and other miscellaneous income.

Increase in compensation and fringe benefits relates to the salary structural increase applied during 2011.

Decrease in occupancy and other equipment-related costs relate to lower utilities expenses. Increase in depreciation and amortization were caused by the full-year effect of depreciation on the infrastructure of head office (relocation of HO last June 2010) this year as compared last year. Furthermore, taxes and licenses posted a 7% decline from Php141 million to Php131 million due to lower GRT (Gross Receipts Tax).

Amortization of software licenses went up by 40.7% from Php19.5 million to Php27.4 million relating to new software licenses purchased this year.

Provisions for impairment improved by 39% or Php81M lower than last year due to reversals of specific impairment of fully settled loan accounts and improvement in credit quality.

Income Tax Provision increased by Php15M on account of higher final taxes paid as compared last year.

### **Material Events and Uncertainties:**

There are no known trends, demand, commitments, events or uncertainties that will have material impact on the Bank's liquidity. There are also no known material

commitments for capital expenditures as of reporting date. There are no known trends, events, uncertainties that had or reasonably expected to have a material favorable or unfavorable impact on income from continuing operations. There are no significant elements of income or loss that arose from the Bank's continuing operations. Likewise there are no seasonal aspects that had material effect on the financial condition or results of operations.

There are no known events that will trigger direct or contingent financial obligation that is material to the Bank, including any default or acceleration of an obligation. Also, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Bank with unconsolidated entities or other persons created as of the reporting date.

The Bank's common shares were listed in the Philippines Stock Exchange (PSE) in June 1999. On October 7, 2011, the Board of Directors (BOD) authorized the Bank to file a petition for voluntary delisting with the PSE and to purchase the outstanding shares through a tender offer in accordance with the rules of the PSE and Securities and Exchange Commission (SEC), subject to prior regulatory approval. On December 15, 2011, the Bank obtained approval for the delisting and share buyback through a special stockholders' meeting as required by the Bank's By-Laws. On December 19, 2011, the Bank received the approval of the Monetary Board for the delisting and share buyback. As of January 27, 2012, common shares held by minority stockholders amounting to Php12.7 million were tendered to and reacquired by the Bank. On February 8, 2012, the PSE approved the Bank's petition for voluntary delisting. Official delisting of the Bank's shares from the trading Board shall be effective on February 24, 2012, subject to payment of pertinent fees.

### **3. Plan of Operations**

The Bank attributes its healthy financial performance to a steady stream of interest revenues, a robust flow of non-interest income including treasury gains, strong management of asset quality, and maintaining a tight lid on operating expenses to have a better efficiency ratio.

The Bank's overall strategy is to improve market position and profitability by continuously expanding Personal and Corporate Loan portfolio. Institutional Banking Group shall accelerate portfolio build up via lead roles in corporate finance activities and provide full function banking in the form of cash management services and transaction-based lending. Treasury Group will be expanding its trading business by venturing into other derivative products and offer higher yielding products to sophisticated clientele. Likewise, Retail Banking Group plans to re-design channel deployment and sales management model for both unsecured lending and mortgage business and re-engineer branch operations to strengthen risk control and performance management.

With its strong capitalization, the Bank continues to invest in its chosen markets where it is well positioned to build industry-leading franchises. Part of its investments would go to the continuous upgrading of its system for loans and cash management and the acquisition of a new trade finance system.

## **Item 7. Financial Statements**

The consolidated financial statements and schedules are filed as part of the Form 17-A.

### **INFORMATION ON INDEPENDENT ACCOUNTANT (EXTERNAL AUDIT FEES (MC No. 14, Series of 2004))**

#### ***(a) Audit and Audited-Related Fees***

The Bank paid the following audit fees to Sycip Gorres Velayo & Co. (SGV) for the fiscal year indicated:

<b>Fiscal Year</b>	<b>Amount</b>
For 2009 paid in 2009	Php1,034,880.00
For 2009 paid in 2010	Php776,160.00
For 2010 paid in 2010	Php862,400.00
For 2010 paid in 2011	Php948,640.00
For 2011 paid in 2011	Php1,170,000.00
For 2011 paid in 2012	Php492,800.00

To date, SGV and CO. has unbilled charges of Php147,840.00 for 2011 audit.

#### ***(b) Tax & Other Fees***

For the fiscal year 2011, the Bank paid a total amount of Php114,141.20 to its Tax Counsels, ACCRA, related to the tax assessments by Bureau of Internal Revenue (BIR).

#### ***(c) Audit Committee's Approval Policies and Procedures for the above services***

The engagement of the services of the Bank's external auditor is evaluated by the Audit Committee. Consistent with the provisions of the Code of Corporate Governance, the appointment of the external auditor is nominated by the Audit Committee for Board Approval and subsequently for the ratification/approval by the shareholders.

## **Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

The Bank has no disagreement with any of its external auditors in any matter of accounting principle, practice, or financial disclosures.

## PART III - CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Issuer-

#### 1. Directors

The following directors shall hold office from date of elections until the next annual shareholders meeting or their resignation unless sooner terminated or removed in accordance with law:

**JACK LEE**, a.k.a. Wen-Hung Lee, Taiwanese, assumed his post as Chairman of the Board on October 26, 2011. He obtained his Master's in Business Administration from California State University in 1979 and Bachelor of Arts in Economics from Soochow University, Taipei. He is concurrently the Chairman of Chinatrust Venture Capital Corporation and Chinatrust Asset Management Co. Ltd under Chinatrust Financial Holding Company. Mr. Lee has been with Chinatrust since 1993. He served various positions as the Vice Chairman of Chinatrust Securities Co. Ltd. from 2005 to 2008, the Executive Vice President and General Auditor of Chinatrust Commercial Bank from 2002 to 2005, the Senior Vice President and General Manager of Credit Department and International Department from 1995 to 2002 at the Bank. He is 57 years old.

**WILLIAM B. GO**, Filipino, has been the Vice Chairman of the Board since October 15, 2001. He also served as concurrent President from April 3, 2008 to January 31, 2009. A Certified Public Accountant, he earned his Bachelor of Science degree from the University of the East and a Master of Science in Business Administration degree from the University of Missouri, Kansas City, U.S.A. He is Chairman of Investors Securities, Inc. and Gama Enterprises, Inc.; Chairman and President of Big Blue Realty Corporation; and President of Serico, Inc.; and, holds various directorship positions in other institutions. He served as the President of Philippine Bank of Communication from 1985 to 1995. Mr. Go has been with Chinatrust since 1995 as President until October 15, 2001 when he was elected Vice Chairman. He is 72 years old.

**MARK CHEN**, Taiwanese, assumed the position of member of the Board of Directors on January 20, 2009 and also as President and CEO on February 1, 2009. Prior to his appointment, he was named as the Executive Vice President and Chief Banking Operations Officer. He holds a B.A. in Public Finance from National Chengchi University in Taiwan, and Masters in Finance at the University of Iowa in the USA. He previously worked with ABN AMRO Taiwan's Asia Pacific Regional Center in Singapore, Bank of Asia in Thailand, and ABN AMRO in Shanghai, before joining the Chinatrust family in 2006 as Chief Country Officer of Chinatrust Commercial Bank in Vietnam. He is 43 years old.

**LARRY HSU**, a.k.a. Hsu Chun-Jen, Taiwanese, is a member of the Board. He graduated with a Bachelor's degree in Business from the National Taiwan University. He is currently the Head of Capital Markets Group of Chinatrust Commercial Bank, Ltd.

(Taiwan). He was also the Head of Trading of Citibank, Taipei Branch from 1998 to 2003, and Trader of FX, Fixed Income, and Derivatives Trading from 1988 to 1998. He is 49 years old.

**ERIC WU** a.k.a. Wu Hsin-Hao, Taiwanese, is a member of the Board\*. He graduated with a Master's degree in Business Administration from the National Taiwan University. He is currently Executive Vice President and Global Payments and Lending Head of Chinatrust Commercial Bank, Ltd. (Taiwan). He was Senior Vice President of McDonalds Restaurants, Taiwan from 1991 to 2003. He is 48 years old.

*\* On February 23, 2012, Messr. Eric Wu resigned as Director and the Board appointed Messr. Peter Liu to serve the unexpired term of Messr. Eric Wu.*

## **Independent Directors**

**NG MENG TAM**, Filipino, is an Independent Director of Chinatrust Philippines, having been re-elected last October 25, 2007. Being one of the incorporators of Access Banking Corporation, the predecessor of Chinatrust Philippines, he served as Director of the Bank from 1995 to 2001. He holds a Bachelor of Science degree in Physics from the Mapua Institute of Technology. Over the past several years, he has been President of Cinema 2000, Inc., and the President of High Pointe Property, Inc. He is 66 years old.

**EDWIN B. VILLANUEVA**, Filipino, has been an Independent Director of Chinatrust Philippines since 2002 and is the Chairman of the Audit Committee. He received his Bachelor of Science degree in Management Engineering (cum laude) from Ateneo De Manila University and Master's degree in Business Administration from Wharton School at the University of Pennsylvania. He is the Chairman of VFL Advisors, Inc. and President of ABV Inc., a real estate holding company. He is the Vice Chairman of the Market Governance Board of the Philippine Dealing Exchange. He also holds directorships in the Makati Supermart Group, Testech Inc., and DFNN Inc., Iwave Inc., and CDC/Quadrillion group, and Adviser to the Board of Philratings, Inc. He is 61 years old.

The independent directors have met and continue to meet all the qualifications and possess none of the disqualifications of an Independent Director under the Bank's Code of Corporate Governance, Section 38 of the Securities Regulation Code and relevant BSP rules.

## **2. Executive Officers**

The following are the Bank's executive officers:

**MARK CHEN**, Taiwanese, is the President and CEO of the Bank. Prior to his appointment, he was named as the Executive Vice President and Chief Banking Operations Officer. He holds a B.A. in Public Finance from National Chengchi University

in Taiwan, and Masters in Finance at the University of Iowa in the USA. He previously worked with ABN AMRO Taiwan's Asia Pacific Regional Center in Singapore, Bank of Asia in Thailand, and ABN AMRO in Shanghai, before joining the Chinatrust family in 2006 as Chief Country Officer of Chinatrust Commercial Bank in Vietnam. He is 43 years old.

**RAYMUNDO MARTIN M. ESCALONA**, Filipino, earned his Bachelor of Science in Commerce degree, Major in Management of Financial Institutions, at De La Salle University. He joined Chinatrust Philippines in January 2008 as Executive Vice President and Head of the Institutional Banking Group. Prior to this, he was the Executive Vice President and Corporate and Institutional Bank Head of Australia and New Zealand Bank, Manila Branch. He has also served as First Vice President and Unit Head of Corporate Banking and Financial Institutions in BDO; Vice President and Head of Large Local Corporates Unit and Deputy Corporate Banking Head in Deutsche Bank AG, Manila Branch; and Assistant Vice President of Relationship Management Unit in Citytrust. He is 51 years old.

**VICTOR Q. LIM**, Filipino, earned his Bachelor of Science in Physical Therapy degree from the University of Santo Tomas where he graduated Cum Laude, and his Masters degree in Business Management from the Asian Institute of Management. He joined Chinatrust Philippines in June 2011 as Executive Vice President and Head of the Retail Banking Group. He started his career in Citibank N.A. Philippines in 1984, taking on various posts in Operations, Sales and Investments. In 2001, he moved to Citibank Guam as Country Business Manager and later as Compliance and Control Director of Citibank Shanghai as well as Senior Adviser and Citibank representative to the Shanghai Pudong Development Bank. In 2009, he joined the Solomon Edwards Group in the United States as Senior Asset Manager/Project Consultant. He is 51 years old.

**EDGARDO A.M. MENDOZA, JR.**, Filipino, earned his Bachelor of Arts degree in Psychology from De La Salle University, and his Masters in Business Administration degree from the Ateneo de Manila University. He is Senior Vice President and Head of the Human Resource and Administration Group. Prior to joining Chinatrust Philippines in August 2008, he was with the BPO/call center industry for five years, as General Manager for Human Resources of IBM Daksh Philippines, and as Human Resources Director of iTouchPoint Softech Ltd. He also had a 10-year stint with three other banks—the Rizal Commercial Banking Corporation (RCBC), where he was First Vice President and HR Group Head; Philippine Savings Bank (PSBank), where he was First Vice President and HR Group Head; and Solidbank, where he was Vice President and HR Group Head. For more than 10 years, he was also a faculty member of both the Ateneo de Manila University and De La Salle University Graduate School of Business, where he taught Organizational Behavior at the MBA level. He is 54 years old.



**MARIA GRETCHEN S. MACABASCO**, Filipino, earned her Bachelor of Science in Business Management degree from the Ateneo de Manila University. She is Senior Vice President – Top Tier Head of Institutional Banking Group. Prior to joining the Bank in August 2008, she was Senior Vice President – Head of Trade of Australia and New Zealand Bank, Manila Branch. She also served as First Vice President – Structured Products Group Head at Philippine Bank of Communications. For almost 6 years, she was with ABN AMRO Philippines, her last role was Vice President – Working Capital Head. Prior to that, she worked for almost 16 years with Citibank N.A. Manila where her last job was as a Relationship Manager, Assistant Vice President – Global Relationship Banking. She is 48 years old.

**VILMA A. NOCHE**, Filipino, earned her Bachelor of Science in Computer Science degree, at the De La Salle University in 1987. She joined Chinatrust Philippines on November 5, 2007. She is Senior Vice President and Head of Banking Operations Group. Prior to joining Chinatrust Philippines, she was Vice President and Head of Recovery Collections of Citibank NA Philippines. She also held various positions in Standard Chartered Bank (SCB) Philippines and Hong Kong i.e. Vice President and Head of Customer Service for Consumer Banking, Senior Assistant Vice President and Head of Channels Development for Consumer Banking, Assistant Vice President and Head of Operations and Systems Support for Consumer Banking, Project Manager of Systems and Support for Retail Banking Operations, HOGAN Training Officer for Regional Product Planning supporting all HOGAN System releases for SCB Hong Kong, Singapore and Malaysia and I.T. Training Officer for Information Technology Division. She is 45 years old.

**JIMMY ARSENIO Y. SAMONTE**, Filipino, a Certified Public Accountant, obtained his Bachelor's degree in Commerce, Major in Accountancy (cum laude), from the University of Santo Tomas. He also attended the Banking Intermediate Industry Training School at the Center for Professional Education of Arthur Andersen and Co.; St. Charles, Illinois, USA. He is Senior Vice President and Head of Internal Audit. He also served as the Bank's Compliance Officer in 2000 to 2001. Prior to joining Chinatrust Philippines, he was Audit Manager of the Financial Services Group of Sycip, Gorres, Velayo & Co. (SGV & Co.), a member firm of Ernst & Young Global Limited. He has been with the Bank since October 1998. He is 42 years old.

**CECILIA E. TABUENA**, Filipino, graduate of Bachelor of Science in Commerce major in Marketing Management and Bachelor of Arts in Psychology from De La Salle University. She also finished her Master of Business Administration major in Finance from Peter F. Drucker Graduate School of Management, Claremont Graduate University in California, USA. She brings with her almost 20 years of experience first starting as a Money Market Trader at All Asia Capital and Trust Company. She then took up a position in The Long Term Credit Bank of Japan as a Corporate Finance Associate when she was based in Los Angeles, California. Following this US assignment, she returned to the Philippines to join the equities business of Citibank, N.A. as Equities Research Analyst before taking several positions and later on becoming the Vice President and Senior Transactor of the bank's Corporate Finance Department. In 2003, she joined the DCM team of Citi's Emerging Markets Sales and Trading prior to being appointed as the Head

of Debt Capital Markets. In 2008, she joined Security Bank Corporation as First Vice President and Head of Fixed Income Securities Distribution. She is 45 years old.

### **3. Legal Proceedings**

None of the directors and executive officers is personally involved in any material pending legal proceedings in any court or administrative agency of the government.

### **4. Significant Employee**

There is no significant employee who is not an Executive Officer and who is expected to make significant contribution to the business.

### **5. Family Relationship**

No family relationship exists among the Bank's directors and executive officers.

## **Item 10. Executive Compensation**

### **1. Summary Compensation Table of Executive Officers**

<u>Name</u>	<b>IN MILLION PESOS</b>			
	<u>Annual Salary</u>	<u>Bonus</u>	<u>Others</u>	<u>Total</u>
<b><u>2010</u></b>				
Executives (8)	28.63	6.61	8.37	43.61
<b><u>2011</u></b>				
Executives (8)	29.41	6.95	5.19	41.55
<b><u>2012</u></b>				
Executives (7)	28.98	7.24	4.83	41.05
(Estimate)				

In 2011, the Bank paid approximately P41,654,270.00 million as a total compensation to the following executive officers:

Mark Chen	President and CEO
William B. Go	Vice-Chairman
Raymundo Martin Escalona	Executive Vice-President
Victor Q. Lim	Executive Vice-President (from June 15, 2011)
Edgardo A.M. Mendoza, Jr.	Senior Vice-President
Ma. Gretchen S. Macabasco	Senior Vice-President
Vilma A. Noche	Senior Vice-President
Jimmy Arsenio Y. Samonte	Senior Vice-President
Ceciia E. Tabuena	Senior Vice-President

For the year 2012, it is estimated that approximately P41,052,110.00 million will be paid to the following executive officers:

Mark Chen	President and CEO
William B. Go	Vice-Chairman
Raymundo Martin Escalona	Executive Vice-President
Victor Q. Lim	Executive Vice-President
Edgardo A.M. Mendoza, Jr.	Senior Vice-President
Ma. Gretchen S. Macabasco	Senior Vice-President
Vilma A. Noche	Senior Vice-President (resigned effective Jan 19)
Jimmy Arsenio Y. Samonte	Senior Vice-President
Ceciia E. Tabuena	Senior Vice-President

## ***2. Compensation of Directors***

The aggregate compensation by the Bank to its Directors, excluding the above executives and other officers, amounted to approximately P7,410,805.71 million in 2011. For the year 2012, it is estimated that approximately P9,125,999.96 million will be paid to the Directors.

## ***3. Employment Contract***

There is no employment contract between bank and the named Executive Officers.

## ***4. Warrants and Options***

There are no warrants or options held by Bank's President, the named executive officers and all officers and directors as a group.

## ***5. Standard Agreements***

Except for the per diem for attendance in the Board and Committee meetings and the Director's Fee under Sections 9 and 10, Article III of the Bank's By-Laws, as amended, there is no other standard arrangement by which the directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for the last completed fiscal year and the ensuing year.

## ***6. Other Arrangements***

There are no other arrangement, including consultancy contracts pursuant to which any director of the registrant's was compensated, or is to be compensated, directly or indirectly, during the registrant's last completed fiscal year, and the ensuing year, for any service provided as a director.

## Item 11. Security Ownership of Certain Beneficial Owners and Management

As of December 31, 2011, the following is the person or entity known to the Bank as owning more than 5% of the Bank's shares:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Chinatrust Commercial Bank, Ltd. 3 Sung Shou Road Taipei, Taiwan, R.O.C.	Chinatrust Commercial Bank, Ltd.	Taiwanese	246,495,812	99.41%

Chinatrust Commercial Bank, Ltd. or CTCB is wholly-owned by Chinatrust Financial Holding Company, Ltd. (CFHC).

CTCB through a resolution of its Board of Directors may authorize the Bank's Chairman, Jack Lee, and such other persons as it may deem fit to exercise the voting power over its shareholdings for and on its behalf.

### 1. Group Owning More Than 5% of Registrant's Voting Securities

Except for CTCB, there is no other person or group known to the Bank to be directly or indirectly the record or beneficial owner of more than 5% of any class of registrant's voting securities.

### 2. Security Ownership of Management as of December 31, 2011

#### a. Directors

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	William B. Go 2277 Magnolia St., Dasmariñas Village, Makati City	William B. Go	Filipino	55	0.00
Common	Jack Lee 19F Fort Legend Towers, Third Avenue corner 31st St., Bonifacio Global City, Taguig City	Jack Lee	Taiwanese	1	0.00
Common	Mark Chen 19F Fort Legend Towers, Third Avenue corner 31st St., Bonifacio Global City, Taguig City	Mark Chen	Taiwanese	1	0.00
Common	Eric Wu 3 Sung Shou Road Taipei, Taiwan, R.O.C.	Eric Wu	Taiwanese	1	0.00
Common	Larry Hsu	Larry Hsu	Taiwanese	1	0.00

	3 Sung Shou Road Taipei, Taiwan, R.O.C.				
Common	Ng Meng Tam Unit 508, ITC Building, 337 Sen. Gil Puyat Ave. Makati City	Ng Meng Tam	Filipino	1	0.00
Common	Edwin B. Villanueva VFL Advisors, Inc. 15F, Citibank Tower, 8741 Paseo de Roxas, Makati City	Edwin B. Villanueva	Filipino	1	0.00
				<u>61</u>	

***b. Executive Officers***

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Mark Chen 19F Fort Legend Towers, Third Avenue corner 31st St., Bonifacio Global City, Taguig City	Mark Chen	Taiwanese	1	0.00
				<u>1</u>	

***c. Directors and Officers***

The aggregate shareholding of the directors and executive officers amounted to 61 shares of the Bank's total outstanding shares.

***d. Change in Control.***

There is no change in control of registrant and no change in control has occurred since the beginning of the last fiscal year.

There are also no arrangements known to the Bank, which may result in a change of control of registrant.

**Item 12. Certain Relationships and Related Transactions**

The Bank, in its regular course of trade and business, enters into transactions with its Directors, Officers, Stockholders, and Related Interests (DOSRI) involving mainly loans and these are disclosed to the *Bangko Sentral ng Pilipinas* (BSP) in accordance with the Manual of Regulations for Banks.

All transactions of the Bank, whether with DOSRI, related parties or non-related parties, are conducted and entered in the Bank's best interest and on "arm's length basis".

There are no parties that fall outside the definition of "Related Parties" under SFAS/IAS No. 24 with whom the Bank or its related parties have a relationship that enables such parties to negotiate terms and material transactions that may not be available from other more clearly independent parties on an "arm's length basis".

## PART IV – CORPORATE GOVERNANCE

### Item 13. Corporate Governance

The Bank has adopted a Manual of Corporate Governance, which is being continually revised to align with the world's best and leading practices on corporate governance and comply with latest regulatory issuances.

Conformably with existing rules and regulations, its Articles of Incorporation and By-Laws, and Manual on Corporate Governance, the Board organized five (5) committees to assist it in governance matters consisting of the following: (1) Executive Committee; (2) Nomination and Review Committee; (3) Audit Committee; (4) Risk Management Committee; and (5) Trust Committee.

- The Executive Committee is headed by Jack Lee as Chairman, with William B. Go and Mark Chen as Members. It is authorized to act on behalf of the full Board as to urgent matters that arise between its regular meetings. It may review and coordinate information from other committees as well as oversee Bank operations. Its functions also include the review and approval of credit facilities that are beyond the President's approval limits; the review of DOSRI transactions for final approval by the Board; and the review and approval of the Bank's budget and business plans. Moreover, it obtains from the Bank's management a timely assessment of the potential effect of any instability or crisis in the economic and political environment.
- The Nomination and Review Committee is headed by Jack Lee as Chairman, with William B. Go, Edwin B. Villanueva and Ng Meng Tam as Members. The NRC, which also functions as the Bank's "Committee on Corporate Governance" and "Compensation and Remuneration Committee" is responsible for ascertaining that the Board seats, including those of Independent Directors, as well as other positions that necessitate Board appointment, are filled by individuals who meet the required qualifications as set forth in the by-laws of the Bank. It oversees the periodic performance evaluation of the Board, its Committees, and the Bank's Executive Management, as well as conducts an annual self-evaluation of its performance. In its assessment of a director's performance, it considers competence, candor, attendance, preparedness, and participation in meetings. It monitors not only the Board's performance, effectiveness, and observance of corporate governance principles, but also those of the various other committees and the Executive Management of the Bank. Further, it adopts guidelines for directors serving on multiple boards and makes recommendations to the Board on the continuing education of directors, their assignment to Board committees, succession, and remuneration. It also approves the hiring and promotion of the Bank's Group Heads. Likewise, it is also involved in Human Resources matters such as the review and revision of the Performance Management System, Benefits Policy, Salary Structure, Merit Increase, and Performance Bonus distribution.
- The Audit Committee is headed by Independent Director Edwin B. Villanueva as Chairman, with Eric Wu and Ng Meng Tam as Members. The members of the Audit Committee must possess accounting, auditing, or related financial

management expertise and experience. Tasked primarily with assisting the Board in fulfilling its oversight responsibilities, the Audit Committee reviews the Bank's financial information, its systems of internal controls and risk management, the audit process, and compliance with significant applicable legal, ethical, and regulatory requirements. It monitors the Bank's compliance with approved internal policies and controls, as well as statutory regulations, emphasizing an accounting system that is 100% compliant with International Accounting Standards. The Committee facilitates free and open communication among Management, Compliance, Risk Management, Internal Audit, the external auditors, BSP examiners, and the Committee. It enjoys sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations. It is also empowered, among others, to appoint, compensate and oversee external audit engagements; review and comment on internal and external audit reports; and resolve financial reporting disputes between management and the auditor.

- The Risk Management Committee is headed by Jack Lee as Chairman, with William B. Go, Larry Hsu, Eric Wu and Mark Chen as Members. Responsible for the development and oversight of the Bank's Risk Management Program, the Risk Management Committee oversees the system of limits to discretionary authority that the Board delegates to management. It is tasked to ensure that the system remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached. To achieve this, the Committee takes on the critical role of identifying and evaluating the Bank's risk exposures, ensuring that the appropriate risk management strategies and plans are in place and ready to be executed as necessary, and evaluating the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. Hand in hand with the Enterprise Wide Risk Management Unit which functions under the auspices of the Committee, it performs oversight functions in managing credit, market, liquidity, and operational risks.
- The Trust Committee is headed by Larry Hsu as Chairman, with Jack Lee, William B. Go, and Mark Chen and the Trust Officer as Members. It reviews and approves the quality and movement of the Bank's trust assets, including the opening and closing of trust and other fiduciary accounts; the initial review of assets placed under the trustee's or fiduciary's custody; the investment, reinvestment, and disposition of funds or property; the review and approval of transactions between trust and/or fiduciary accounts, and of acceptable fixed income and equity investments, including the investment outlets. Further, it reviews trust and other fiduciary accounts at least once yearly to determine the advisability of retaining or disposing of the trust or fiduciary assets, and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship. It reports to the Board any changes in regulations, market conditions, and other factors that may affect the trust business.

The Bank uses the Corporate Governance Performance Scorecard prescribed by the Securities and Exchange Commission (SEC) and Institute of Corporate Directors (ICD), and the Corporate Governance Disclosure Survey for Listed Companies required by the

Philippine Stock Exchange (PSE), in evaluating the level of compliance of the Board of Directors and Top Level Management with its Manual of Corporate Governance. It also conducts an annual self-assessment test for individual directors, which includes an evaluation of the performance of Board committees.

The Bank is generally in compliance with adopted leading practices on good corporate governance. Taking into account global best practices, the Bank constantly updates its tools for monitoring the performance of the Board and individual Board members, and the process by which it determines whether a director conducts fair business transactions, devotes necessary time and attention to discharge his duties, acts judiciously, exercises independent judgment, has working legal knowledge affecting the Bank, observes confidentiality and ensures soundness, effectiveness and adequacy of the Bank's risk management system and control environment.

The Bank has no knowledge of any instance of non-compliance with its Manual of Corporate Governance by the Board of Directors or its members, nor by the Bank's officers or employees.

The Bank is committed to ensuring that the corporate governance framework supports the equitable treatment of all shareholders, including minority shareholders. All shareholders are entitled to have the opportunity to obtain effective redress for any violation of their rights.



## PART V - EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-C

#### *Exhibits*

The exhibits are incorporated by reference as set forth in the index attached hereto.

#### *Reports on SEC Form 17-C*

The following reports on SEC Form 17-C were filed during the last six (6) months period covered by this report:

<b>Date Filed</b>	<b>Item</b>
June 16, 2011	Appointment of RBG Head
June 24, 2011	Results of Annual Shareholders' Meeting and Organizational Meeting of the Board of Directors
June 29, 2011	Certification of Independent Director
September 9, 2011	Appointment of Compliance Officer
October 7, 2011	Special Meeting Disclosure
October 7, 2011	Press Release: Chinatrust intends to go private
October 26, 2011	Resignation and Appointment of Chairman
November 17, 2011	List of Stockholders as of Record Date
December 15, 2011	Results of Special Shareholders' Meeting
December 19, 2011	MB Approval for the delisting and repurchase
December 20, 2011	Tender Offer Publication
December 23, 2011	Petition to Delist

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Taguig 13<sup>th</sup> day of April 2012.

By:

**MARK CHEN**  
President and CEO  
Principal Executive Officer

**ANDRE P. PAYAWAL, FVP**  
Principal Financial Officer, Comptroller &  
Principal Accounting Officer

**ZIMAR B. MENDIOLA, AVP**  
2<sup>nd</sup> Asst. Corporate Secretary

The Bank has no Principal Operating Officer.

**SUBSCRIBED AND SWORN** to before me this 13<sup>th</sup> day of April 2012 affiants exhibiting to me their Passport/TIN/SSS Nos., as follows:

<b>NAMES</b>	<b>PASSPORT/SSS I.D./TIN NO.</b>	<b>DATE OF ISSUE</b>	<b>PLACE OF ISSUE</b>
Mark Chen	Passport # 303036105	June 13, 2011	Taiwan
Andre P. Payawal	TIN# 150-031-779		
Zimar B. Mendiola	SSS ID No. 03-3107137-1		

Doc. No. \_\_\_\_\_;

Page No. \_\_\_\_\_;

Book No. \_\_\_\_\_;

Series of 2012.

**ATTY. MARY ANGELINE S. TOL**  
NOTARY PUBLIC FOR TAGUIG CITY  
UNTIL DECEMBER 31, 2013  
16/F Fort Legend Towers, Third Ave. corner 31<sup>st</sup> St.  
Bonifacio Global City, Taguig City  
APPT. NO. 71 / ROLL NO. 51630  
PTR NO. A-1449675/01-05-12/TAGUIG CITY  
IBP NO. 879980/01-06-12/CAVITE

## **EXHIBITS AND ANNEXES**

- 1. STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**
- 2. AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2011 and 2010**